THABAZIMBI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

General Information

Legal form of entity	Local municipality
Mayoral committee	NL Matlou IN Keyser SM Mataboge PA Mosito (Chief Whip)
Mayor	NL Matlou
Councillors	ME Hlalele (Speaker) RA Ramogale AS Khumalo SM Semaswe RC du Preez PA Scruton EN Ntantiso G Modise SG Matsietsa MR Mokonyane SG Lerumu T Mkansi MMB Pilane DM Musi VB Machine SI Manala
Grading of local authority	Low capacity municipality
Accounting Officer	TSR Nkhumise
Chief Finance Officer (CFO)	TB Mothogoane
Business address	7 Rietbok Street Thabazimbi 0380
Postal address	Private Bag X530 Thabazimbi 0380
Bankers	ABSA Bank Limited
Auditors	Auditor General

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality.

The annual financial statements set out on pages 5 to 40, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

TSR Nkhumise
Municipal Manager
31 August 2010

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2010.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 2,146,415 (2009: deficit R 11,714,535).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
TSR Nkhumise

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Executive meetings

The accounting officer has met on 4 separate occasions during the financial year. The accounting officer schedules to meet at least 4 times per annum.

Non-executive directors have access to all members of management of the municipality.

Internal audit

The municipality had employed internal auditors for the year under review.

Ms K. Malema

7. Bankers

The municipality banks primarily with ABSA Bank Limited.

Accounting Officer's Report

8. Auditors

The Auditor General will continue in office for the next financial period.

9. Public Private Partnership

In accordance with the Public Private Partnership agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commence mental text.

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Inventories	7	2,434,040	6,529,187
Trade and other receivables from exchange transactions	8	1,409,111	34,725
VAT receivable		11,513,141	11,138,469
Consumer debtors	9	13,927,475	8,923,446
Cash and cash equivalents	10	14,430	62,572
		29,298,197	**26,688,399**
Non-Current Assets			
Biological assets	3	1	1
Property, plant and equipment	4	46,676,499	21,844,296
Intangible assets	5	103,621	103,621
Other financial assets	6	2,853,134	18,629,278
		49,633,255	**40,577,196**
Total Assets		**78,931,452**	**67,265,595**
Liabilities			
Current Liabilities			
Other financial liabilities	11	2,233,793	7,727,790
Finance lease obligation	12	-	246,257
Trade and other payables from exchange transactions	15	35,834,792	19,836,938
Consumer deposits	16	3,043,039	3,061,609
Unspent conditional grants and receipts	13	-	927,389
Provisions	14	6,159,295	4,013,499
Bank overdraft	10	10,743,288	6,660,856
		58,014,207	**42,474,338**
Non-Current Liabilities			
Other financial liabilities	11	7,355,955	9,041,228
Finance lease obligation	12	207,487	249,811
		7,563,442	**9,291,039**
Total Liabilities		**65,577,649**	**51,765,377**
Net Assets		**13,353,803**	**15,500,218**
Net Assets			
Accumulated surplus		13,353,803	15,500,218

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Government grants & subsidies	20	62,323,125	49,669,877
Interest received (trading)		5,113,741	4,050,236
Interest received - investment	27	1,487,876	2,804,865
LGWSETA Grant		601,904	464,864
Licences and permits		2,065,035	1,641,086
Other income		4,313,398	4,385,242
Property rates	18	8,890,259	2,751,179
Recoveries		172,778	-
Service charges	19	64,921,478	51,259,243
Total Revenue		**149,889,594**	**117,026,592**
Expenditure			
Bulk purchases	32	(30,224,848)	(24,018,416)
Debt impairment		(4,508,265)	(15,248,753)
Finance costs	29	(2,051,414)	(2,603,230)
General Expenses	23	(41,896,665)	(29,098,036)
Grants and subsidies paid	31	(4,384,615)	(4,958,084)
Personnel	25	(46,970,607)	(37,055,391)
Remuneration of councillors	26	(5,757,472)	(4,659,405)
Repairs and maintenance		(16,242,123)	(11,099,812)
Total Expenditure		**(152,036,009)**	**(128,741,127)**
Deficit for the year		**(2,146,415)**	**(11,714,535)**

Statement of Changes in Net Assets

Figures in Rand	Convertible instruments reserve	Loan redemption fund	Capital replacement reserve	Capitalisation reserve	Insurance reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	(14,538)	(8,185,803)	(145,021)	696,560	(56,557)	(7,705,359)	16,533,107	8,827,748
Adjustments								
Change in accounting policy	14,538	8,185,803	145,021	(696,560)	56,557	7,705,359	(3,008,229)	4,697,130
Prior year adjustments	-	-	-	-	-	-	13,689,875	13,689,875
Balance at 01 July 2009 as restated	**-**	**-**	**-**	**-**	**-**	**-**	**27,214,753**	**27,214,753**
Changes in net assets								
Surplus for the year	-	-	-	-	-	-	(11,714,535)	(11,714,535)
Total changes	-	-	-	-	-	-	(11,714,535)	(11,714,535)
Balance at 01 July 2009	**-**	**-**	**-**	**-**	**-**	**-**	**15,500,218**	**15,500,218**
Changes in net assets								
Surplus for the year	-	-	-	-	-	-	(2,146,415)	(2,146,415)
Total changes	-	-	-	-	-	-	(2,146,415)	(2,146,415)
Balance at 30 June 2010	**-**	**-**	**-**	**-**	**-**	**-**	**13,353,803**	**13,353,803**

Note(s)

Thabazimbi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Rates		7,697,592	13,355,034
Sale of goods and services		54,379,726	47,259,243
Grants		60,527,446	64,031,241
Interest income		1,487,876	2,804,865
Other income		12,272,785	9,974,812
		136,365,425	137,425,195
Payments			
Employee costs		(52,728,079)	(41,714,796)
Suppliers		(69,192,603)	(69,293,505)
Finance costs		(2,051,414)	(2,603,230)
		(123,972,096)	(113,611,531)
Net cash flows from operating activities	33	**12,393,329**	**23,813,664**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(24,832,203)	(18,570,605)
Proceeds from sale of financial assets		15,776,144	7,841,381
Net cash flows from investing activities		**(9,056,059)**	**(10,729,224)**
Cash flows from financing activities			
Repayment of other financial liabilities		(7,179,270)	(7,776,197)
Finance lease payments		(288,581)	(334,332)
Net cash flows from financing activities		**(7,467,851)**	**(8,110,529)**
Net increase/(decrease) in cash and cash equivalents		**(4,130,581)**	**4,973,911**
Cash and cash equivalents at the beginning of the year		(6,598,284)	(11,572,195)
Cash and cash equivalents at the end of the year	10	**(10,728,865)**	**(6,598,284)**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. .

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are not depreciated as the municipality have applied the transitional provisions as set out in Directive 4. The municipality is in the process of determining the residual values and usefull life of all assets. A service provider was acquired to assist with the process.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash

1.2 Property, plant and equipment (continued)

flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.3 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated

1.3 Financial instruments (continued)
impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment in other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to / (from) economic entities

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective

1.3 Financial instruments (continued)
interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:
- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

Accounting Policies

1.3 Financial instruments (continued)

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Accounting Policies

1.5 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Transitional provision

The municipality changed its accounting policy for inventories in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in 7. The transitional provision expires on 30 June 2012

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and inventories has accordingly been recognised at provisional amounts, as disclosed in 7.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.6 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.6 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

1.7 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

1.7 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.8 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in

an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a

liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.9 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.10 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.12 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of ''unauthorised expenditure''.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.14 Presentation of currency

These annual financial statements are presented in South African Rand.

1.15 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.16 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- First time implementation of GRAP.

First time implemetation of GRAP

The municipality has applied the Standards of Generally Recognised Accounting Practicies (GRAP) for the first time this year. On principle these standards have been applied retrospectively and the 2009 comparatives contained in these annual financial statements differ from those published in the annual financial statements published for the year ended 30 June 2009 The date of transition was 1 June 2009.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2009 is as follows:

Statement of financial position

Property, plant and equipment		
Previously stated	-	8,408,276
Adjustment	-	5,846,634
	-	**14,254,910**
Reserves		
Previously stated	-	(11,017,292)
Adjustment	-	11,017,292
	-	**-**
Opening retained earnings		
Previously stated	-	(14,297,776)
Adjustment	-	2,609,008
	-	**(11,688,768)**

Statement of financial performance

Grant expenditure		
Previously stated	-	26,086,589
Adjustment	-	(26,086,589)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

3. Biological assets

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Game	1	-	1	1	-	1

Transitional provisions

Biological assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note certain biological assets and/or agricultural produce with a carrying value of R 1 (2009: R 1) was recognised at provisional amounts. Carrying amounts of biological assets and/or agricultural produce carried at provisional amounts are as follows:

Due to initial adoption of GRAP 101

Game	1	1

Steps taken to establish the values of biological assets and/or agricultural produce recognised at provisional amounts due to the initial adoption of GRAP 101, is as follows:

The municiplaity will use the services of an accredible service provider which will assist in determining the valuation of the Property, plan and equipment.

The date at which full compliance with GRAP 101 is expected, is 30 June 2012.

4. Property, plant and equipment

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Plant and machinery	122,330	-	122,330	-	-	-
Furniture and fixtures	230,973	-	230,973	-	-	-
Motor vehicles	3,273,691	-	3,273,691	3,273,691	-	3,273,691
Office equipment	232,340	-	232,340	-	-	-
IT equipment	556,468	-	556,468	-	-	-
Infrastructure	42,260,697	-	42,260,697	18,570,605	-	18,570,605
Total	**46,676,499**	**-**	**46,676,499**	**21,844,296**	**-**	**21,844,296**

Reconciliation of property, plant and equipment - 2010

	Opening balance	**Additions**	**Total**
Plant and machinery	-	122,330	122,330
Furniture and fixtures	-	230,973	230,973
Motor vehicles	3,273,691	-	3,273,691
Office equipment	-	232,340	232,340
IT equipment	-	556,468	556,468
Infrastructure	18,570,605	23,690,092	42,260,697
	21,844,296	**24,832,203**	**46,676,499**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Total
Motor vehicles	3,273,691	-	3,273,691
Infrastructure	-	18,570,605	18,570,605
	3,273,691	**18,570,605**	**21,844,296**

Capitalised expenditure(excluding borrowing costs)

	2010	2009
Plant and machinery	276,935	-
Furniture and fixtures	78,759	-
Office equipment	152,857	-
IT equipment	467,428	-
Infrastructure	34,493,381	26,086,589
	35,469,360	**26,086,589**

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note certain property, plant and equipment with a carrying value of R 64,829,640 (2009: R 29,360,280) was recognised at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

Due to initial adoption of GRAP 17

	2010	2009
Tangible fixed assets	4,249,670	3,273,691
Infrastructure assets	60,579,970	26,086,589

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The municiplaity will use the services of an accredible service provider which will assist in determining the valuation of the Property, plan and equipment.

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2010			2009		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Website	103,621	-	103,621	103,621	-	103,621

Reconciliation of intangible assets - 2010

	Opening balance	Total
Website	103,621	103,621

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

5. Intangible assets (continued)

Reconciliation of intangible assets - 2009

	Opening balance	Total
Website	103,621	103,621

Transitional provisions

Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note certain intangible assets with a carrying value of R 103,621 (2009: R 103,621) was recognised at provisional amounts. Carrying amounts of intangible assets carried at provisional amounts are as follows:

Due to initial adoption of GRAP 102

Website	103,621	103,621

Steps taken to establish the values of intangible assets recognised at provisional amounts due to the initial adoption of GRAP 102, is as follows:

The municiplaity will use the services of an accredible service provider which will assist in determining the valuation of the Website.

The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

6. Other financial assets

	2010	2009
Investments held		
ABSA Bank Limited: Fixed deposit	141,846	132,311
This is a fixed depositt investment with details as below:		
Start date 21/06/2010		
Maturity date 23/07/2010		
Investment Amount R 141 845,54		
Interest rate 6.24%		
Sanlam Limited: Money market accounts	352,272	12,260,079
This is an investment in money market collective investments schemes with the details as below;		
Fund (Unit) balance 352 272		
Price per Unit (c) 100		
Market Value (Rc) at 30/06/10 R 352 272		
Old Mutual Limited: Investment fund	2,359,016	2,208,827
Sanlam Limited: Investment policy	-	4,028,061
	2,853,134	**18,629,278**

Non-current assets		
Investments	2,853,134	18,629,278

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

7. Inventories

Consumable goods	2,434,040	6,529,187

Transitional provisions

Inventories recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain inventories with a carrying value of R 4,554,855 (2009: R 3,620,236) was recognised at provisional amounts. Carrying amounts of inventories carried at provisional amounts are as follows:

Due to initial adoption of GRAP 12

Consumable goods	2,434,040	3,620,236
Water	-	-
	2,434,040	3,620,236

Steps taken to establish the values of inventories recognised at provisional amounts due to the initial adoption of GRAP 12, is as follows:

The municipality will employ the services of a valuator to accuratly determine the valuation method and valuation of consumables to comply with Grap 12.

The date at which full compliance with GRAP 12 is expected, is 30 June 2012.

8. Trade and other receivables from exchange transactions

Prepayments (if immaterial)	1,200,000	-
Other receivables	209,111	34,725
	1,409,111	**34,725**

9. Consumer debtors

Gross balances		
Rates	10,893,364	10,213,119
Electricity	3,842,007	3,119,515
Water	12,439,888	13,001,631
Sewerage	4,938,561	4,135,610
Refuse	3,807,162	3,188,627
Other - (Interest and other major items)	37,288,106	30,038,293
	73,209,088	**63,696,795**

Less: Provision for debt impairment		
Rates	(6,514,367)	(9,200,833)
Electricity	(3,450,014)	(3,311,947)
Water	(10,883,685)	(9,157,979)
Sewerage	(3,769,599)	(3,728,471)
Refuse	(2,881,939)	(2,882,153)
Other - (Interest and other major items)	(31,782,009)	(26,491,966)
	(59,281,613)	**(54,773,349)**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

9. Consumer debtors (continued)

Net balance

Rates	4,378,997	1,012,286
Electricity	391,993	(192,432)
Water	1,556,203	3,843,652
Sewerage	1,168,962	407,139
Refuse	925,223	306,474
Other - (Interest and other major items)	5,506,097	3,546,327
	13,927,475	**8,923,446**

Rates

Current (0 -30 days)	(193,201)	540,117
31 - 60 days	269,372	(76,972)
61 - 90 days	218,110	513,213
91 - 120 days	4,084,716	35,928
	4,378,997	**1,012,286**

Electricity

Current (0 -30 days)	(274,635)	(2,440,173)
31 - 60 days	118,491	1,608,481
61 - 90 days	(84,595)	661,332
91 - 120 days	632,732	(22,072)
	391,993	**(192,432)**

Water

Current (0 -30 days)	(471,376)	(127,976,519)
31 - 60 days	(131,768)	132,801,723
61 - 90 days	601,819	(52,252,182)
91 - 120 days	1,557,528	51,270,630
	1,556,203	**3,843,652**

Sewerage

Current (0 -30 days)	90,405	58,736
31 - 60 days	20,284	110,439
61 - 90 days	85,153	180,997
91 - 120 days	973,120	56,967
	1,168,962	**407,139**

Refuse

Current (0 -30 days)	50,176	40,893
31 - 60 days	16,200	64,721
61 - 90 days	55,845	147,865
91 - 120 days	803,002	52,995
	925,223	**306,474**

Other (specify)

Current (0 -30 days)	1,562,493	994,726
31 - 60 days	431,314	905,726
61 - 90 days	605,461	738,559
91 - 120 days	2,906,829	907,316
	5,506,097	**3,546,327**

Reconciliation of debt impairment provision

Balance at beginning of the year	(54,773,349)	(40,586,575)
Contributions to provision	(4,508,264)	(14,186,774)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

9. Consumer debtors (continued)

	(59,281,613)	**(54,773,349)**

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 2,632,138 (2009: R 4,837,103) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	723,893	135,414,118
2 months past due	1,481,793	(57,752,717)
3 months past due	10,957,927	58,476,693

Consumer debtors impaired

As of 30 June 2010, consumer debtors of R 59,281,613 (2009: R 54,773,349) were impaired and provided for.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	14,430	62,572
Bank overdraft	(10,743,288)	(6,660,856)
	(10,728,858)	**(6,598,284)**

Current assets	14,430	62,572
Current liabilities	(10,743,288)	(6,660,856)
	(10,728,858)	**(6,598,284)**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**		**Cash book balances**	
	30 June 2010	**30 June 2009**	**30 June 2010**	**30 June 2009**
ABSA BANK - Cheque Account	(4,731)	936,742	(100,455,535)	(6,872,252)
ABSA BANK - Cheque (RDP)	287,753	290,296	287,753	290,296
Total	**283,022**	**1,227,038**	**(100,167,782)**	**(6,581,956)**

11. Other financial liabilities

Held at amortised cost		
Infrastructure Finance Corporation Limited	20,822	6,200,000
Development Bank of South Africa	9,568,926	10,569,018
	9,589,748	**16,769,018**

Refer to appendix A for more details on the loans.

Non-current liabilities		
At amortised cost	7,355,955	9,041,228
Current liabilities		
At amortised cost	2,233,793	7,727,790
	9,589,748	**16,769,018**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

12. Finance lease obligation

Present value of minimum lease payments due		
- within one year	207,487	246,257
- in second to fifth year inclusive	-	249,811
Present value of minimum lease payments	**207,487**	**496,068**

Non-current liabilities	207,487	249,811
Current liabilities	-	246,257
	207,487	**496,068**

The average lease term was 4-6 years and the average effective borrowing rate was linked to the prime lending rate.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	927,389

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 20 for reconciliation of grants from Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

14. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for leave	3,360,770	2,495,130	(404,210)	(309,881)	5,141,809
Provision for bonuses	652,729	364,757	-	-	1,017,486
	4,013,499	**2,859,887**	**(404,210)**	**(309,881)**	**6,159,295**

Reconciliation of provisions - 2009

	Opening Balance	Additions	Total
Provision for leave	-	3,360,770	3,360,770
Provision for bonuses	504,424	148,305	652,729
	504,424	**3,509,075**	**4,013,499**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

15. Trade and other payables from exchange transactions

Trade payables	2,124,493	18,694
Payments received in advanced - contract in process	3,866,137	4,796,209
Retention creditors	2,595,283	1,285,683
Accruals	27,248,879	13,736,352
	35,834,792	**19,836,938**

16. Consumer deposits

Deposits held	3,043,039	3,061,609

17. Revenue

Property rates	8,890,259	2,751,179
Service charges	64,921,478	51,259,243
Licences and permits	2,065,035	1,641,086
Government grants & subsidies	62,323,125	49,669,877
	138,199,897	**105,321,385**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	64,921,478	51,259,243
Licences and permits	2,065,035	1,641,086
	66,986,513	**52,900,329**

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	8,890,259	2,751,179
Government grants & subsidies	62,323,125	49,669,877
	71,213,384	**52,421,056**

18. Property rates

Rates received

Residential	3,985,282	(2,366,766)
Commercial	1,900,130	2,438,812
State	211,509	627,202
Small holdings and farms	2,793,338	2,051,931
	8,890,259	**2,751,179**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

18. Property rates (continued)

Valuations

Residential	4,229,088,837	4,229,088,837
Commercial	2,836,112,578	2,836,112,578
State	146,681,900	146,681,900
Municipal	45,731,100	45,731,100
Small holdings and farms	262,485,300	262,485,300
Social	25,139,300	25,139,300
	7,545,239,015	**7,545,239,015**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2007. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2010.

19. Service charges

Sale of electricity	27,428,736	21,047,146
Sale of water	21,023,370	17,274,281
Sewerage and sanitation charges	9,070,055	6,727,585
Refuse removal	7,399,317	6,210,231
	64,921,478	**51,259,243**

20. Government grants and subsidies

Equitable share	32,911,723	27,332,877
Municipal Infrastructure Grant	26,926,404	19,327,000
Financial Management Grant	750,000	500,000
Municipal Systems Improvement Program Grant	734,998	735,000
Integrated National Electrification Program Grant	1,000,000	1,775,000
	62,323,125	**49,669,877**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	927,389	-
Current-year receipts	24,843,043	19,327,094
Conditions met - transferred to revenue	(25,770,432)	(18,399,705)
	-	**927,389**

Provide explanations of conditions still to be met and other relevant information

Financial Management Grant

Current-year receipts	750,000	500,000
Conditions met - transferred to revenue	(750,000)	(500,000)
	-	**-**

All conditions to the FMG Grant were met during the year.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

20. Government grants and subsidies (continued)

Municipal Systems Improvement Program Grant

Current-year receipts	735,000	735,000
Conditions met - transferred to revenue	(735,000)	(735,000)
	-	**-**

All conditions to the Municipal Systems Improvement Program Grant were met during the year.

Integrated National Electrification Programme Grant

Current-year receipts	1,000,000	1,775,000
Conditions met - transferred to revenue	(1,000,000)	(1,775,000)
	-	**-**

All conditions to the Integrated National Electrification Programme Grant were met during the year.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

21. Other revenue

Recovery of unauthorised, irregular, fruitless and wasteful expenditure	172,778	-
Other income	4,313,398	4,385,242
LG SETA Grant	601,904	464,864
	5,088,080	**4,850,106**

22. Other income

LG Seta Grant	601,904	464,864

The above grant is received based on the municipality's compliance with the SDL regulations and training as per the Skills Development Act.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

23. General expenses

Accruals movement for the year	26,186,993	7,018,914
Advertising	129,680	406,898
Auditors remuneration	1,532,490	1,760,437
Bank charges	61,078	112,928
Bank fraud - Fruiteless and wasteful expenditure	-	3,621,959
Cleaning	160,658	-
Consulting and professional fees	3,683,761	2,954,874
Consumables	172,142	702,367
Convention bureau	13,485	10,126
Delegates expenditure	42,602	56,566
Electricity	900	86,820
Entertainment	193,267	192,747
Insurance	667,470	723,069
Inter departmental expenses	-	586,969
Lease rentals on operating lease	592,051	717,496
Meter readings cost	1,030,712	-
Motor vehicle expenses	3,046,697	6,256,128
Postage and courier	211,723	230,118
Printing and stationery	544,101	1,048,092
Protective clothing	163,385	174,098
Refuse	82,222	164,921
Research and development costs	-	71,715
Security (Guarding of municipal property)	108,698	-
Sewerage and waste disposal	916	-
Stock written off	19,829	-
Subscriptions and membership fees	460,522	156,484
Telephone and fax	1,073,018	1,260,643
Training	705,710	783,667
Travel - local	1,012,555	-
	41,896,665	**29,098,036**

24. Operating surplus/(deficit)

Operating surplus/(deficit) for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	592,051	717,496
Employee costs	52,728,079	41,714,796
Research and development	-	71,715

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

25. Employee related costs

Basic	25,150,995	15,691,629
Bonus	1,918,400	-
Medical aid - company contributions	1,869,815	1,591,344
UIF	279,194	232,036
WCA	17,326	5,689
SDL	335,930	181,852
Leave pay provision charge	374,284	3,317,458
Post-employment benefits - Pension - Defined contribution plan	5,794,355	4,505,567
Travel, motor car, accommodation, subsistence and other allowances	4,490,969	5,045,644
Overtime payments	1,892,935	2,697,042
Acting allowances	-	553,409
Post retirement contributions	343,571	236,529
	42,467,774	**34,058,199**

Remuneration of municipal manager

Annual Remuneration including benefits and allowances	926,646	728,040

Remuneration of chief finance officer

Annual Remuneration including benefits and allowances	531,945	483,928

Corporate and human resources (corporate services)

Annual Remuneration including benefits and allowances	845,115	466,052

Health, safety and social services (emergency management services)

Annual Remuneration including benefits and allowances	448,046	-

Procurements and infrastructure (planning, transport and environmental affairs)

Annual Remuneration including benefits and allowances	917,456	699,688

Economic Development and Planning

Annual Remuneration including benefits and allowances	833,625	619,484

26. Remuneration of councillors

Executive Major	687,035	544,678
Speaker	568,808	403,121
Councillors	4,501,629	3,711,606
	5,757,472	**4,659,405**

27. Investment revenue

Interest revenue		
Bank and investments	1,487,876	2,804,865

28. Depreciation and amortisation

As this was the first year of GRAP, the municiaplity elected to apply the transitional provision as set out in directive 4. Therefor no depreciation was calculated hence the useful life and residual value of assets were not calculated.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

29. Finance costs

Bank and long term loans	2,051,414	2,603,230

30. Auditors' remuneration

Fees	1,532,490	1,760,437

31. Grants and subsidies paid

Other subsidies		
Indigent grants	4,384,615	4,958,084

32. Bulk purchases

Electricity	19,861,450	15,300,055
Water	10,363,398	8,718,361
	30,224,848	**24,018,416**

33. Cash generated from/(used in) operations

Surplus / (deficit)	(2,146,415)	(11,714,535)
Adjustments for:		
Debt impairment	4,508,265	15,248,753
Movements in provisions	2,145,796	3,509,075
Changes in working capital:		
Inventories	4,095,147	828,245
Trade and other receivables from exchange transactions	(1,374,386)	7,364,372
Consumer debtors	(9,512,294)	(5,122,695)
Trade and other payables from exchange transactions	15,997,847	9,922,528
VAT	(374,672)	6,406,557
Unspent conditional grants and receipts	(927,389)	(2,628,636)
Consumer deposits	(18,570)	-
	12,393,329	**23,813,664**

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Retentions	2,595,283	1,080,742

This committed expenditure relates to plant and equipment, and retensions and will be financed by available bank facilities, retained surpluses, existing cash resources, etc.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

35. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Post employment benefit plan for employees of entity and/or other related parties	Municipal Gratuity Fund

Related party balances

Amounts included in Trade receivable / (Trade Payable) regarding related parties	2010	2009
National Treasury	3,146,828	3,146,828
Department of Transport	(626,977)	-

Related party transactions

Rent paid to / (received from) related parties	2010	2009
Irvan Keyser	187,619	-

36. Prior period errors

The following prior year errors were identified and adjusted retrospectively:

- Investments disclosed under other financial assets were disclosed at a value lower than their actual value.
- The other financial liabilities, Development Bank of South Africa loans, were disclosed at a value lower that the balance owing to the Bank.
- Bank fraud was not disclosed in the prior year financial statements.
- Some of the consumer deposits were omitted.
- Trade payables, for which no substantiating evidence was found were recognised in the prior year without evidence that the liabilities existed.
- VAT was incorrectly calculated.
- All consumer debtors were not recognised
- Trade receivables from exchange transactions were recognised with no surity that the funds will be received
- Accruals were incorrectly processed
- The finance leases not recognised
- A equitable share grant receivable was not recognised
- Consumer debtors who paid their accounts in advance were not reallocated to trade and other receivables.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Accumulated surplus	-	36,627,958
Cash and cash equivalents	-	(2,488,904)
Finance leases	-	(363,761)
Intangible assets	-	103,621
Inventory		2,908,951
Investments	-	(348,538)
Other financial liabilities	-	(345,197)
Provisions	-	1,842,401
Trade and other payables	-	(5,873,815)
Trade and other receivables		(41,004,445)
Unspend conditional grants		(3,556,025)
		(12,149,216)

Statement of financial performance		
Revenue	-	(1,232,271)
Employee costs	-	(1,424,058)
General expenses	-	14,805,545
		12,149,216

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

37. Comparative figures

Certain comparative figures have been reclassified.

In addition to the prior year errors on investments as disclosed in the note relating to prior year errors, investments was incorrectly classified into its various categories:

Disclosure before restatement:	
Money market	9,727,300
Investment policies	4,867,954
Fixed deposits	4,382,561
	18,977,815

Disclosure after restatement and correcting of prior year error as reflected in note :	
Money market	12,260,079
Investment policies	6,249,535
Fund share	514,532
Fixed deposits	132,310
	19,156,456

38. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 12, 11, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the municipality may adjust the amount of dividends paid to member, return capital to member, issue new shares or sell assets to reduce debt.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an

Figures in Rand	2010	2009

38. Risk management (continued)

ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

39. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

40. Unauthorised expenditure

Unauthorised expenditure	54,822,386	-

The unauthorised expenditure relate to overspending on the approved budget by 3 cost centres.

41. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	25,200	3,621,959

Fraudulent payments occurred in the prior year. These were handed over to the special investigation unit of Limpopo.

During the current financial year interest was charged on accounts that were no settled on time.

42. Irregular expenditure

Add: Irregular Expenditure - current year	2,945,391	-

43. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(2,146,415)	(11,714,535)
Adjusted for:		
Property rates	(14,719,313)	4,572,621
Service charges	(6,514,190)	51,259,242
Interest received (Trading)	1,313,741	450,232
Licences and permits	723,881	1,530,841
Government grants and subsidies	(3,456,496)	57,327,481
Recoveries	172,778	-
Other income	(1,015,652)	3,988,477
Other grants	601,904	464,864
Interest received (Investments)	255,450	2,415,565
Personnel	51,534	(27,646,355)
Administration	-	(2,184,431)
Depreciation	1,579,254	-
Finance cost	(117,523)	(2,603,230)
Debt impairment	(13,772,508)	(14,198,753)
Repairs and maintenance	481,383	(4,280,801)
Bulk purchases	(1,216,723)	(25,780,677)
Grants and subsidies paid	1,215,385	(4,958,084)
General expenses	29,247,400	(38,118,772)
Net surplus per approved budget	**9,547,550**	**6,304,172**

Figures in Rand	2010	2009

44. Additional disclosure in terms of Municipal Finance Management Act

SALGA Fees

Current year subscription / fee	27,443	10,781
Amount paid - current year	(24,536)	(10,781)
	2,907	**-**

PAYE and UIF

Current year subscription / fee	5,932,648	4,627,240
Amount paid - current year	(5,530,392)	(4,472,010)
Amount paid - previous years	(155,230)	-
	247,026	**155,230**

Pension and Medical Aid Deductions

Current year subscription / fee	11,691,803	9,394,277
Amount paid - current year	(10,628,726)	(9,394,277)
	1,063,077	**-**

VAT

VAT receivable	11,513,141	11,138,469

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

45. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	9,589,748	16,769,018

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

46. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix D for the comparison of actual operating expenditure versus budgeted expenditure.

47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Appendix A

THABAZIMBI LOCAL MUN ICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

	Redeemable	Balance at 30 June 2009 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2010 Rand
INFRASTRRUCTURE FINANCE CORPORATION LIMITED					
INCA	31/12/2009	6,200,000	-	6,200,000	-
		6,200,000	**-**	**6,200,000**	**-**
DEVELOPMENT BANK OF SOUTH AFRICA					
DBSA @ 13.00%	30/09/2018	4,915,420	-	286,203	4,629,217
DBSA @ 15.00%	31/03/2018	480,759	-	28,008	452,751
DBSA @ 15.00%	31/03/2018	222,170	-	12,943	209,227
DBSA @ 15.00%	31/03/2018	211,369	-	12,314	199,055
DBSA @ 5.00%	30/06/2016	2,313,383	-	283,645	2,029,738
DBSA @ 15.26%	31/12/2012	798,027	-	187,913	610,114
DBSA @ 15.26%	31/12/2012	129,214	-	30,426	98,788
DBSA @ 15.80%	30/06/2015	1,163,176	-	128,301	1,034,875
DBSA SCMB	31/03/2020	335,500	-	30,500	305,000
DBSA @ 15.00%		-	-	(20)	20
DBSA @ 15.00%		-	-	(9)	9
DBSA @ 15.00%		-	-	(9)	9
DBSA @ 7.00%		1	-	(197,926)	197,927
DBSA @ 18.00%		-	-	(151,439)	151,439
DBSA @ 18.00%		-	-	(24,520)	24,520
DBSA @ 18.00%		-	-	(153,650)	153,650
DBSA SCMB		-	-	(8)	8
DBSA @ 13.00%		-	-	(163)	163
		10,569,019	**-**	**472,509**	**10,096,510**
TOTAL EXTERNAL LOANS					
INFRASTRRUCTURE FINANCE CORPORATION LIMITED		6,200,000	-	6,200,000	-
DEVELOPMENT BANK OF SOUTH AFRICA		10,569,019	-	472,509	10,096,510
		16,769,019	**-**	**6,672,509**	**10,096,510**

Thabazimbi Local Municipality
Thabazimbi Local Municipality
Appendix B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation						Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Infrastructure												
Roads, Pavements & Bridges	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Storm water	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Generation	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Transmission & Reticulation	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Street lighting	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Dams & Reservoirs	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Water purification	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Reticulation	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Reticulation	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Sewerage purification	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Housing	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Waste Management	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Gas	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Buildings and grouped infrastructure	18,570,605	23,690,092	-	-	-	**42,260,697**	-	-	-	-	**-**	42,260,697
	18,570,605	**23,690,092**	**-**	**-**	**-**	**42,260,697**	**-**	**-**	**-**	**-**	**-**	**42,260,697**
Other assets												
General vehicles	3,273,691	-	-	-	-	**3,273,691**	-	-	-	-	**-**	3,273,691
Plant & equipment	-	122,330	-	-	-	**122,330**	-	-	-	-	**-**	122,330
Computer Equipment	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Computer Software (part of computer equipment)	-	556,468	-	-	-	**556,468**	-	-	-	-	**-**	556,468
Furniture & Fittings	-	230,973	-	-	-	**230,973**	-	-	-	-	**-**	230,973
Office Equipment	-	232,340	-	-	-	**232,340**	-	-	-	-	**-**	232,340
Office Equipment - Leased	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Abattoirs	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Markets	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Airports	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Security measures	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Civic land and buildings	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Other buildings	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Other land	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Bins and Containers	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Work in progress	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Other	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Other Assets - Leased	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Housing development	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Other	-	-	-	-	-	**-**	-	-	-	-	**-**	-
	3,273,691	**1,142,111**	**-**	**-**	**-**	**4,415,802**	**-**	**-**	**-**	**-**	**-**	**4,415,802**
Intangible assets												
Computers - software & programming	103,621	-	-	-	-	**103,621**	-	-	-	-	**-**	103,621
Other	-	-	-	-	-	**-**	-	-	-	-	**-**	-

Thabazimbi Local Municipality
Thabazimbi Local Municipality
Appendix B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation						Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
	103,621	**-**	**-**	**-**	**-**	**103,621**	**-**	**-**	**-**	**-**	**-**	**103,621**
Total												
Land and buildings	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Infrastructure	18,570,605	23,690,092	-	-	-	**42,260,697**	-	-	-	-	**-**	42,260,697
Community Assets	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Heritage assets	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Other assets	3,273,691	1,142,111	-	-	-	**4,415,802**	-	-	-	-	**-**	4,415,802
	-	-	-	-	-	**-**	-	-	-	-	**-**	-
Agricultural/Biological assets	1	-	-	-	-	**1**	-	-	-	-	**-**	1
Intangible assets	103,621	-	-	-	-	**103,621**	-	-	-	-	**-**	103,621
Investment properties	-	-	-	-	-	**-**	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	-	-	-	-	**-**	-
	21,947,918	**24,832,203**	**-**	**-**	**-**	**46,780,121**	**-**	**-**	**-**	**-**	**-**	**46,780,121**

Thabazimbi Local Municipality
Appendix C
June 2010

Segmental Statement of Financial Performance for the year ended

Prior Year Actual Income Rand	Prior Year Actual Expenditure Rand	Prior Year Surplus /(Deficit) Rand		Current Year Actual Income Rand	Current Year Actual Expenditure Rand	Current Year Surplus /(Deficit) Rand
			Municipality			
27,873,802	21,340,404	6,533,398	Executive & Council/Mayor and Council	43,926,117	26,574,633	17,351,484
37,035,426	25,338,453	11,696,973	Finance & Admin/Finance	35,979,767	57,652,565	(21,672,798)
2,490,591	28,379,810	(25,889,219)	Planning and Development/Economic Development/Plan	378,719	7,421,188	(7,042,469)
214,630	9,267,022	(9,052,392)	Comm. & Social/Libraries and archives	282,333	3,826,299	(3,543,966)
464,055	4,019,314	(3,555,259)	Public Safety/Police	2,769,899	5,450,111	(2,680,212)
-	(619,484)	619,484	Sport and Recreation	-	3,062,722	(3,062,722)
4,696,190	3,347,525	1,348,665	Environmental Protection/Pollution Control	-	-	-
5,461,664	3,313,637	2,148,027	Waste Water Management/Sewerage	16,718,206	5,800,306	10,917,900
15,186,839	12,485,529	2,701,310	Water/Water Distribution	20,943,795	15,990,788	4,953,007
23,603,393	21,868,918	1,734,475	Electricity /Electricity Distribution	28,890,757	26,257,398	2,633,359
117,026,590	**128,741,128**	**(11,714,538)**		**149,889,593**	**152,036,010**	**(2,146,417)**
			Municipal Owned Entities			
			Other charges			

Thabazimbi Local Municipality
Appendix D(1)
June 2010

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

Prior Year # 1 2009 Act. Adj. Bal. Rand	Prior Year # 1 2009 Bud. Amt Rand	Variance Rand	Var		Current year 2010 Act. Adj. Bal. Rand	Current year 2010 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
				Revenue					
2,751,180	11,046,112	(8,294,932)	(75.1)	Property rates	8,890,258	22,427,258	(13,537,000)	(60.4)	
51,259,242	-	51,259,242	-	Service charges	64,921,479	71,435,669	(6,514,190)	(9.1)	
4,050,236	3,600,000	450,236	12.5	Interest received (trading)	5,113,741	3,800,000	1,313,741	34.6	
1,641,086	-	1,641,086	-	Licences and permits	2,065,035	1,451,400	613,635	42.3	
49,669,877	6,703,760	42,966,117	640.9	Government grants & subsidies	62,323,125	63,399,000	(1,075,875)	(1.7)	
-	-	-	-	Recoveries	172,778	-	172,778	-	
4,385,242	396,110	3,989,132	,007.1	Other income	4,313,398	5,626,965	(1,313,567)	(23.3)	
464,864	-	464,864	-	Other grants	601,904	-	601,904	-	
2,804,865	389,000	2,415,865	621.0	Interest received - investment	1,487,876	1,082,236	405,640	37.5	
117,026,592	22,134,982	94,891,610	428.7		149,889,594	169,222,528	(19,332,934)	(11.4)	
				Expenses					
(41,714,795)	(15,492,499)	(26,222,296)	169.3	Personnel	(52,728,077)	(50,911,100)	(1,816,977)	3.6	
-	-	-	-	Depreciation	-	(1,579,254)	1,579,254	(100.0)	
(2,603,230)	-	(2,603,230)	-	Finance costs	(2,051,414)	(2,440,651)	389,237	(15.9)	
(15,248,753)	(1,050,000)	(14,198,753)	,352.3	Debt impairment	(4,508,265)	-	(4,508,265)	-	
(11,099,812)	(1,735,500)	(9,364,312)	539.6	Repairs and maintenance - General	(16,242,123)	(43,798,565)	27,556,442	(62.9)	
(24,018,416)	-	(24,018,416)	-	Bulk purchases	(30,224,848)	(29,008,125)	(1,216,723)	4.2	
(4,958,084)	-	(4,958,084)	-	Grants and subsidies paid	(4,384,615)	(5,600,000)	1,215,385	(21.7)	
(29,098,038)	2,447,189	(31,545,227)	,289.0)	General Expenses	(41,896,668)	(26,341,583)	(15,555,085)	59.1	
(128,741,128)	(15,830,810)	(112,910,318)	713.2		(152,036,010)	(159,679,278)	7,643,268	(4.8)	
(11,714,536)	6,304,172	(18,018,708)	(285.8)	Net surplus/ (deficit) for the year	(2,146,416)	9,543,250	(11,689,666)	(122.5)	

Appendix E for the ended 30 June 2010
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
June 2010

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No	
Financial Management Grant (FMG)	National Treasury	-	-	750,000	-	-	-	274,712	475,288	Yes	N/A
Intergrated National Electrification Programme Grant (INEG)	National Treasury	-	-	-	1,000,000	-	-	-	-	Yes	N/A
Municipal Systems Improvement Programme Grant (MSIG)	National Treasury	735,000	-	-	-	166,250	568,750	-	-	Yes	N/A
Municipality Infrastructure Grant (MIG)	National Treasury	12,764,000	6,392,000	5,687,000	-	9,926,671	8,475,504	3,114,972	2,169,902	Yes	N/A
		-	-	-	-	-	-	-	-		
		13,499,000	6,392,000	6,437,000	1,000,000	10,092,921	9,044,254	3,389,684	2,645,190		